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Tyndall Unit Trusts (Retail) — Fund Summary

Tyndall Cash Fund — 31 March 2014

Fund manager

Tyndall Investment Management New Zealand Limited (Tyndall).

Tyndall manages $3.6 billion of funds for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government. Tyndall also offers services to financial intermediaries through wrap platforms. Tyndall is a wholly owned subsidiary of Nikko Asset Management Co., Ltd., a Japanese asset management group.

Tyndall offers investment management services in domestic sectors (equities, fixed interest and cash) through its Auckland-based investment team and employs offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Portfolio managers

Fergus McDonald, Head of Bonds and Currency – Fergus is responsible for the investment strategy and portfolio construction of Bond, Cash and Currency mandates. He has been actively involved in the New Zealand financial markets since 1981 and has considerable experience in developing and managing a diverse range of fixed interest and option portfolios.

Ian Bellew, Fixed Income Manager – Ian joined Tyndall in 1998 and is responsible for the implementation of investment strategy and day to day management of the fixed income and option portfolios. Ian also contributes to team decision making by analysing economic information and identifying global and domestic investment trends.

Fund launch

April 2014. A similar portfolio has been operated by Tyndall since January 1992.

Investment objective

Over a rolling three year period to target a return which exceeds the benchmark by 0.20% per annum, before fees.

Benchmark

ANZ NZ 90-day Bank Bill Index

Investment philosophy

Tyndall's focus on duration management and achieving a high running yield on the portfolio enables Tyndall to deliver an investment outcome that has a high probability of out-performing the benchmark.

Tyndall's decision-making process revolves around interpreting and forecasting possible changes to monetary policy in the months ahead and quantifying the likely impact on portfolio performance.

The Fund currently obtains investment exposures by investing into the Tyndall NZ Cash Fund, a wholesale unit trust managed by us. The Tyndall NZ Cash Fund invests directly into tradeable capital market securities. Tyndall seeks to enhance the return from the cash sector by the selective use of floating rate notes and short dated corporate debt.

Structure and taxation

The Fund vehicle is a Unit Trust and Portfolio Investment Entity (PIE) which is priced daily. Unit holders elect their own Portfolio Investment Rate. Information is provided to the IRD and unit holders on an annual basis.

PIE eligibility

Tyndall may take any action it deems appropriate to ensure the Fund remains eligible to be a PIE. This includes the ability of Tyndall to compulsorily withdraw a unit holder's units and pay the proceeds to that unit holder's nominated bank account.

Distributions

Quarterly – last business days of March, June, September and December.

Hedging policy

All assets are NZD denominated.

Investment guidelines

- Authorised investments are cash, deposits and debt securities with an interest rate exposure of up to 365 days, issued or guaranteed by any NZ registered bank, SOE, NZ Government, NZ local authority and NZ and overseas corporate.
- Securities issued by corporates and registered banks must have minimum credit rating of A1 short-term and A long term (Standard and Poors). Derivative counter parties must have A or better credit rating and all derivative exposure shall be covered by cash or physical holdings.

Management fees and other charges

A management fee of 0.25% per annum calculated as a percentage of the gross asset value of the Fund will be calculated and deducted from the Fund. This fee is calculated daily and is payable to Tyndall. The management fee may be reduced or waived at Tyndall's discretion.

A Trustee fee of up to 0.06% per annum calculated as a percentage of the gross value of the assets in the Fund will be calculated and chargeable to the Fund.

Tyndall and the Trustee may recover expenses (including the Trustee fee) up to a maximum of 0.15% per annum from the Fund.

Buy/sell spread

Nil

Trustee

Public Trust

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

Minimum investment

Initial investment	$5,000
Further investments	$1,000

The Manager may accept applications for investments below the minimum investment amount at its discretion.

Fixed Interest Category Winner, New Zealand 2013

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Performance (NZD returns; before tax & fees)*

	Tyndall %	Benchmark %	Excess %
1 month	0.28	0.24	0.04
3 months	**0.89**	**0.69**	**0.20**
6 months	1.84	1.36	0.48
1 year	**3.87**	**2.73**	**1.14**
2 years (pa)	4.01	2.70	1.32
3 years (pa)	**4.00**	**2.72**	**1.29**
5 years (pa)	4.08	2.84	1.24
10 years (pa)	**6.06**	**5.19**	**0.87**

* Performance returns are returns achieved for similar mandated investment funds as reported to various actuarial investment performance surveys.

Benchmark: ANZ NZ 90-day Bank Bill Index

Asset allocation

Governments	13.8%
NZ Registered Banks	72.4%
Local Authorities	1.1%
Corporates	12.7%

Credit rating profile

AAA	0.0%
AA	82.0%
A	18.0%

Top 5 issuers (% of fund)

Westpac Banking Corporateion	19%
Kiwibank Limited	16%
NZ Government	14%
ASB Bank Limited	12%
ANZ National Bank Limited	11%

Duration and yield

Duration	Fund 110 days	vs benchmark 45 days
Yield	Fund 4.0%	vs benchmark 3.12%

Commentary

The Tyndall Cash Fund returned 0.28% for the month of March, versus the index return of 0.24% and 0.89% vs 0.69% respectively for the quarter. The Fund is a high credit quality, low interest rate risk portfolio. The average credit rating is targeted around AA- S&P with the duration of the Fund approximately 110 days.

New Zealand short-term rates rose over the month, with the 90-day rate up 18 basis points at 3.15%, and the 1-year swap up 17 basis points at 3.62%. Over the quarter the 90-day rate was up 29bps, and the 1 year swap up 21bps.

The Reserve Bank increased the OCR by 25 basis points as expected in March. New Zealand's economic expansion has considerable momentum, and growth is becoming more broad-based. GDP is estimated to have grown by 3.3 percent in the year to March 2014. In its latest Monetary Policy Statement the Reserve Bank commented upon the high levels of confidence among consumers and businesses, and to increases in hiring and investment intentions. Economic capacity is being absorbed by growth in demand, and inflationary pressures are becoming evident. The level of the currency, though more supported by economic fundamentals than in previous times, is still high and viewed by the Reserve Bank as unsustainable in the long run. A high dollar becomes an issue for the Reserve Bank considering that the price of imported goods (as a part of the tradable sector) have been suppressed by the high level of the currency, and have therefore held down inflation. The Reserve Bank is concerned that a weakening in the currency would add to inflationary pressure. The OCR hike was well signalled to the market, the real point of interest was always going to be the strength, or otherwise, of the Bank's forward track. The track came out more aggressive then the market was anticipating, and implies a further 100bps of hikes this year, and a further 75-100bps of hikes in 2015.

The Fund is designed to have stable returns and is not likely to be unduly affected by a move higher in short-term interest rates over the course of 2014. We will be mindful of OCR dates, but do not necessarily target them in terms of duration. The market has been pricing rate rises for some time. Recently term deposits have been far more attractive than other highly rated short-term fixed and floating rate securities. We are seeing difference of up to 40bps on 1-year term deposits compared to 1-year bonds issued by the same bank. Marketable short-term securities remain in high demand, and margins have been held low. If, during the course of the next few months, we enter into longer dated deposits or securities it will be because we believe an appropriate pricing has been met, and the Fund will receive the benefit of higher income than 90-day Bank Bills.

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